

2026–2040 Long-Range Financial Plan

Purpose

The purpose of the 2026–2040 Long-Range Financial Plan (LRFP) is to support Council in making informed decisions today by clearly illustrating the long-term financial implications of service, capital and funding choices.

The LRFP provides a forward-looking view of The City's financial sustainability and resilience beyond the current four-year budget cycle. It identifies the operating and capital pressures that are expected to build over time, highlights the trade-offs inherent in different decision paths, and establishes a consistent framework to help Council balance affordability, service stability and long-term financial health in an increasingly constrained environment.

Key Messages for Council

- **The City is financially strong today, but not on a sustainable path under current assumptions.**
Population growth, rising costs and aging infrastructure are driving operating and capital pressures that are projected to outpace revenues, even if property taxes grow with inflation and population.
- **Maintaining today's service levels over the long term is increasingly at risk.**
Without clearer definitions of service levels and their full lifecycle costs, The City cannot reliably assess what it would take to sustain current services — and incremental property tax increases alone are unlikely to close the gap.
- **Capital funding pressures are significant and growing.**
The City faces a substantial long-term gap between infrastructure needs and available funding as it must both support growth and renew aging assets; deferring investment may reduce near-term pressure but increases long-term risk and cost.
- **Efficiency matters — but it has limits.**
While efficiency improvements are important, recent spending reductions largely reflect service level impacts rather than true efficiency gains. Long-term sustainability will require deliberate decisions about service levels, investment, and funding, not efficiency alone.
- **Council decisions made today shape future resilience and flexibility.**
Choices related to reserves, debt, capital investment and revenue reliance will determine The City's ability to absorb shocks, avoid abrupt tax or service changes, and maintain public confidence over time.

Executive Summary

The 2026–2040 Long- Range Financial Plan (LRFP) provides a long- term view of the financial pressures that could affect The City of Calgary beyond the next four- year budget cycle. Its purpose is to help Council and the public understand how decisions made today may affect The City's finances in the years ahead. It provides a framework to support informed discussion, highlight long- term trade- offs and ensure short- term decisions are made with an understanding of their long- term financial impacts.

The LRFP shows that while The City is currently in a strong financial position, the cost of delivering services is increasing faster than existing revenue sources. Rapid population growth, rising costs and aging infrastructure are placing growing pressure on both operating budgets and capital funding. Even when property tax revenues grow with population and inflation, this is not enough to fully offset these pressures, resulting in projected financial gaps over time.

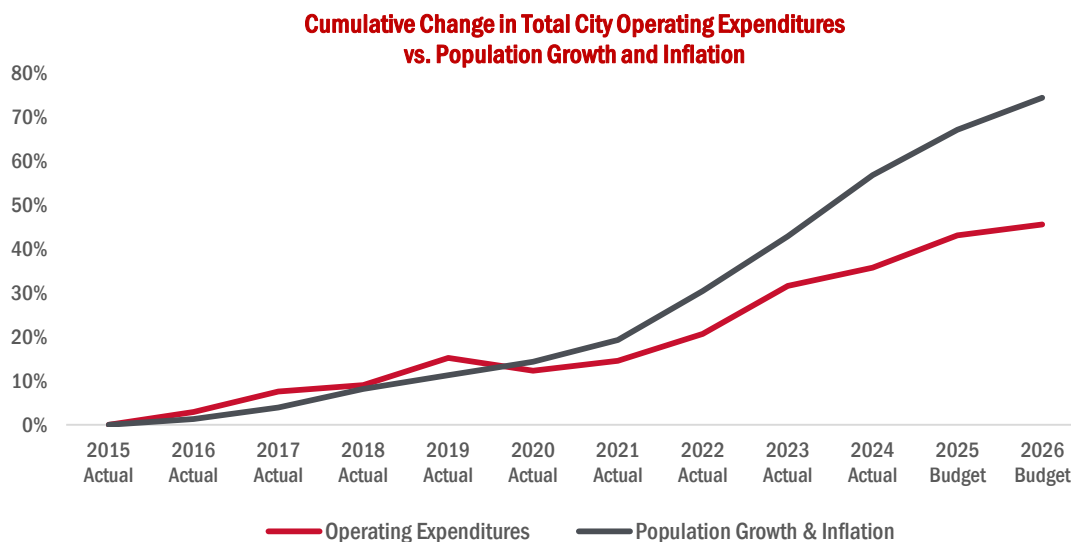
The plan also identifies a significant gap between The City's long- term infrastructure needs and the funding currently available. Without changes to how services are funded, delivered, or prioritized, maintaining today's service levels will be at risk and become increasingly difficult.

Current Context

Operating expenditures have not kept pace with the combined effects of population growth and inflation

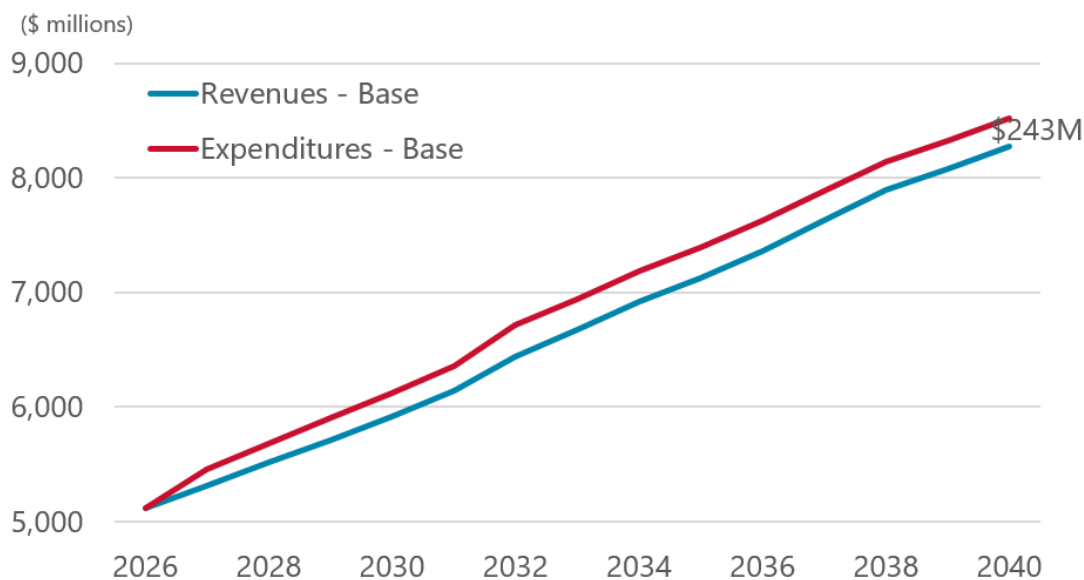
The City of Calgary provides services to nearly 1.6 million residents, as well as many people from the surrounding region who rely on the city for work, services and amenities. These services include transportation, water and wastewater, public safety, parks and recreation, development services and community supports.

Population growth increases demand for services, while inflation increases the cost of delivering them.



Operating revenues are projected to fall short of operating expenditures

Calgary's regional population is expected to continue growing rapidly, reaching more than 2 million by 2030. While this growth reflects a strong and attractive city, it also increases demand for infrastructure and services and places additional pressure on financial resources. To better understand the impacts of this growth, the operating projection below extends beyond the current budget cycle to show how revenues and expenses are expected to change over time.

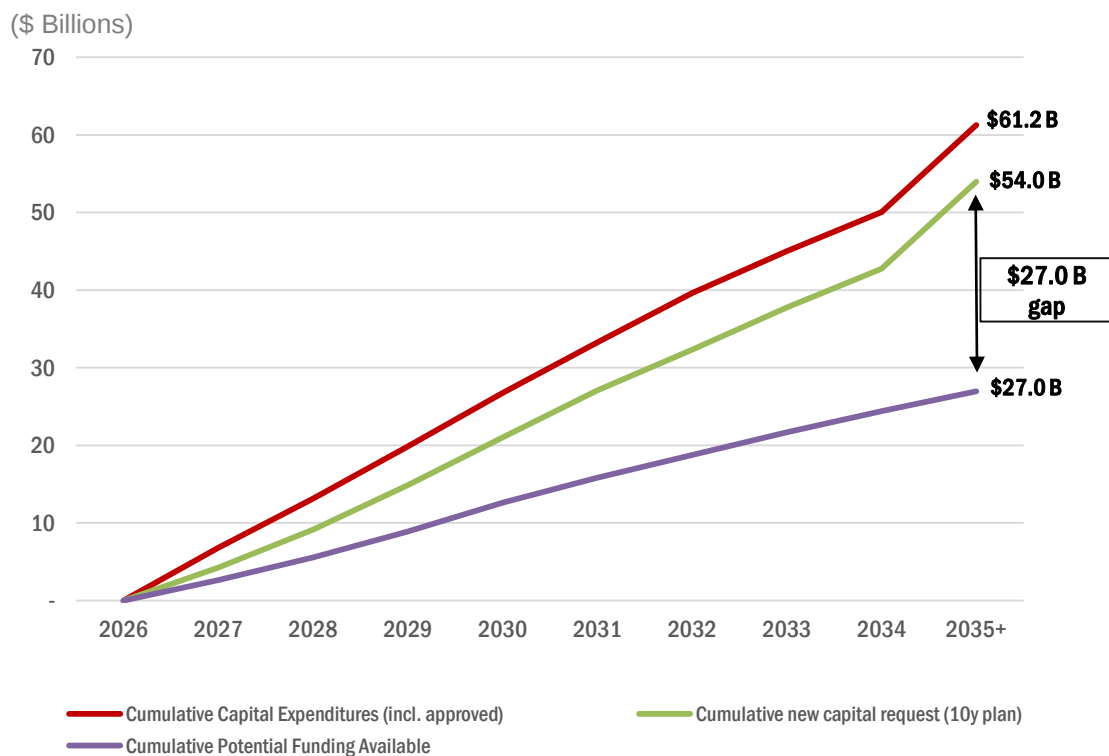


Operating costs are projected to grow faster than revenues, even if property tax revenues increase in line with population growth and inflation, which has not been the case over the past decade. This is because non-property tax revenues typically do not increase at the same rate as expenditures, as they are influenced by policy-based choices (e.g., lower prices to increase accessibility), market demand, and other external factors.

As a result, The City is expected to face a growing operating funding gap by 2040. This reflects The City's reliance on property taxes as its primary revenue source and the limited growth of other revenues.

Capital funding is not sufficient to address capital needs

Calgary is no longer a city with mostly new infrastructure. The City must now contend with both the construction of new infrastructure to support growth **and** the maintenance or replacement of existing assets that are reaching the end of their useful life. This results in a substantial long-term capital funding gap that will require careful prioritization and strategic decision-making. More details are available in the 10-year Capital Plan. Please note the chart below are based on the following assumptions: Utilities capital needs assumed to be fully funded (self-supported) and known corporate capital funding is projected.



Long-range financial plan to respond to the operating and capital funding gaps

The operating and capital gaps described above do not point to a single problem with a single fix. Instead, they show how long-term pressures build over time as costs rise faster than revenues and infrastructure needs grow. These gaps are shaped by many decisions made across multiple budget cycles, including choices about service levels, funding sources, investment timing, and how much risk The City is willing to carry. No one decision creates the gaps, and no single action will eliminate them.

The Long-Range Financial Plan is designed to help Council manage these pressures in a structured and consistent way. The strategies that follow provide a framework for making informed decisions over time, supported by measures that show how The City is tracking and tactics that guide practical action. Together, the strategies, measures and tactics help Council move from understanding the size and nature of the gaps to focusing on how choices made today can protect service stability, affordability and long-term financial health.

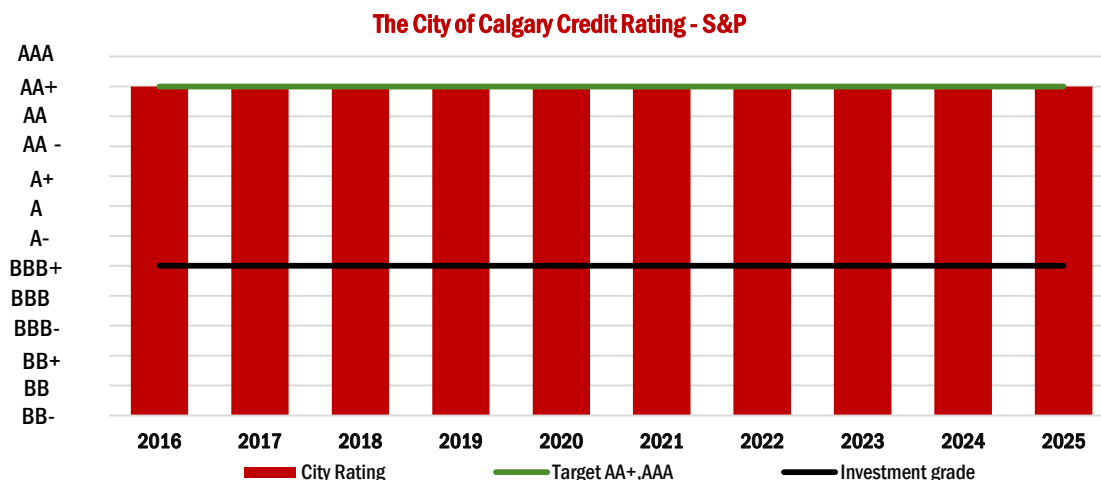
Strategy #1: Flexibility

Flexibility is the ability to respond to growth, uncertainty and unexpected events without sudden service cuts or tax increases.

Key Message

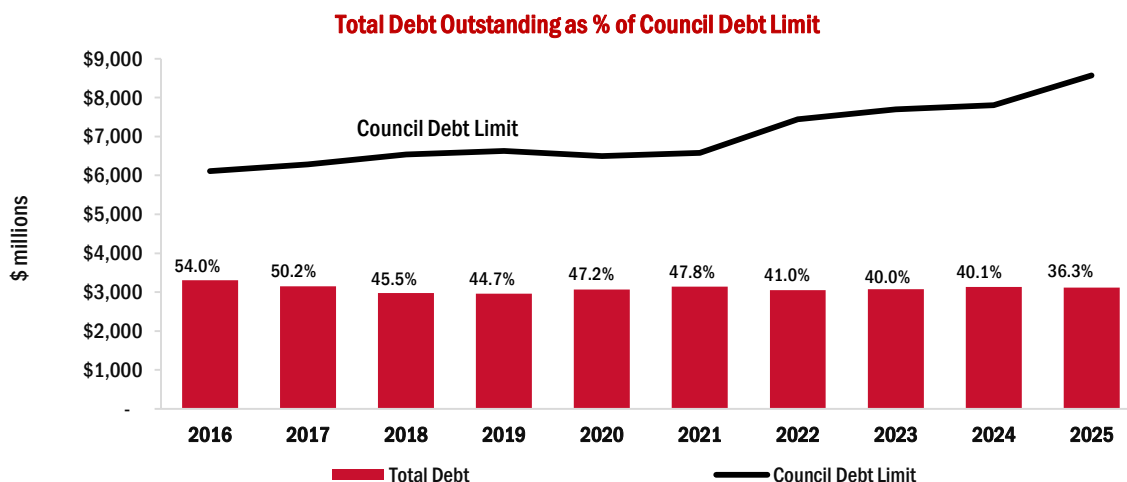
Council decisions that reduce available reserves or liquidity make it harder for The City to deal with future uncertainty. When flexibility is lost, The City has fewer options and is more likely to face service reductions, tax increases, or urgent decisions during shocks. Protecting flexibility now helps avoid more difficult choices later. Reserve funds work best when they are kept available for temporary projects, true emergencies or unexpected events, rather than being used to manage ongoing pressures.

The City's credit ratings are a tool to monitor financial performance of The City across various areas of interest, such as liquidity, budgetary performance and indebtedness. Flexibility is tracked by looking at The City's credit ratings, how much debt it carries compared to rating thresholds, how much it pays each year to service that debt, and how much uncommitted funding is available in reserves. This City can also use these credit ratings to compare its financial performance relative to its peers. The City continues to have strong credit ratings, which supports access to borrowing when needed. The City's maintains ratings with S&P, Morningstar DBRS and Moody's.

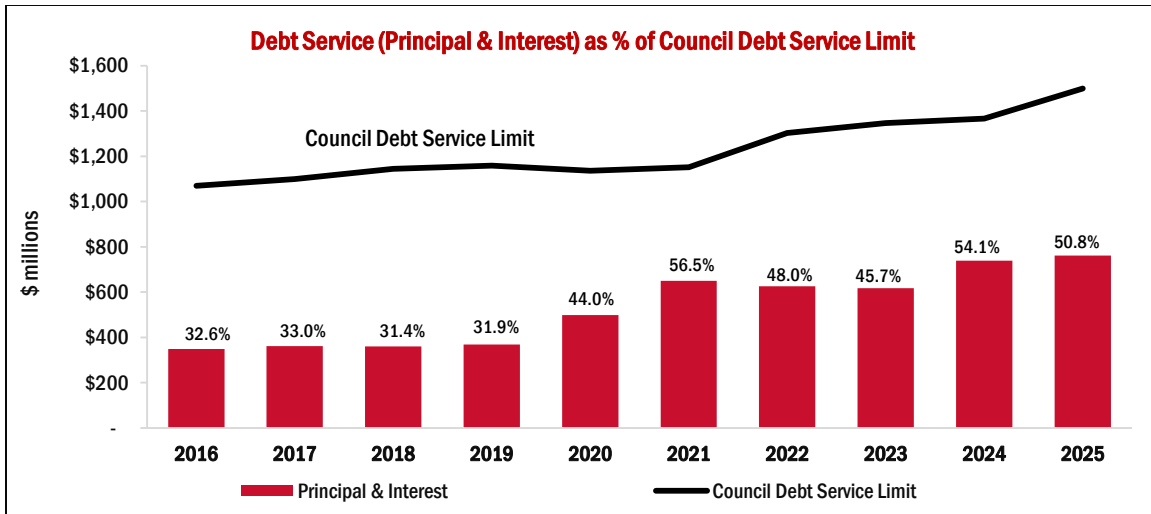


The City monitors current debt levels to Council-approved debt limits. A long-term forecast of the Council debt limits is also maintained by Treasury to inform the decision-making process on the use of debt for approved capital projects and programs, and prospective long-term plans of The City.

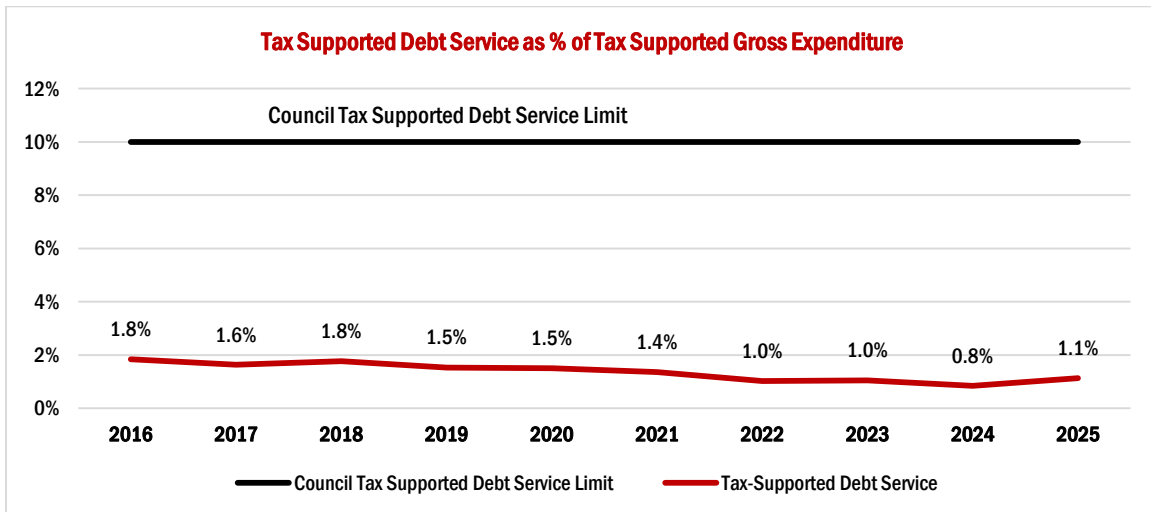
As indicated in the chart below, total debt outstanding remains below Council-approved limits.



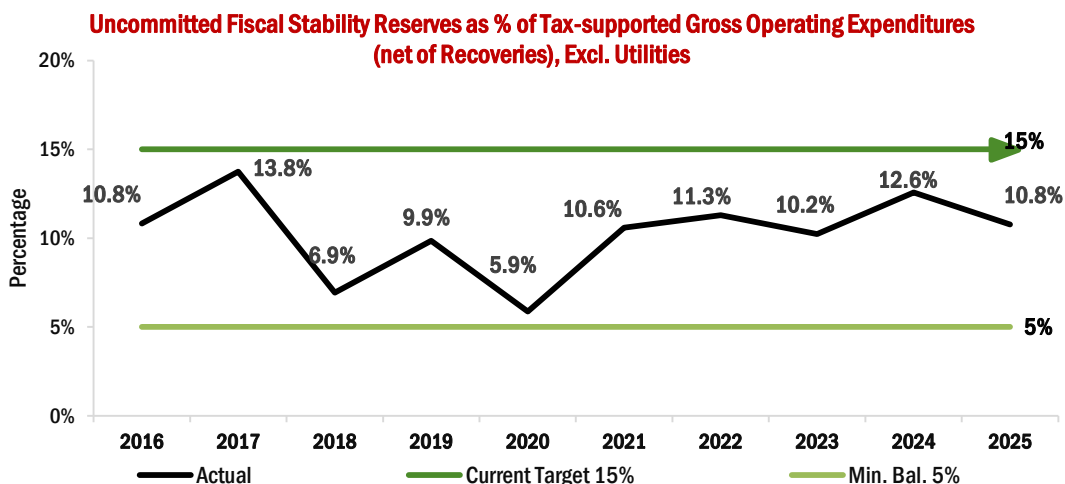
Debt servicing costs are also monitored in the context of Council approved debt limits, and have increased in recent years primarily attributed to an increase in short-term borrowing for The City's commercial paper program.



The amount of tax supported debt service is also monitored in relation to tax supported gross expenditures of The City. This gives an indication of the percentage of tax dollars that are servicing tax supported debt. The decline in the ratio is primarily attributed to an increase in tax supported gross expenditure combined with less tax supported borrowing.



The amount of reserve funding available for unexpected events remains above the minimum level, but below the long-term target and has declined due to recent Council decisions.



Tactics to Preserve Flexibility

Flexibility is preserved by using reserves, cash, and borrowing capacity carefully and for their intended purpose. Borrowing must remain within approved limits so that The City can respond if future needs arise. Maintaining enough cash on hand also helps keep The City financially stable day to day. Together, these actions help ensure The City can respond to challenges as they occur.

Strategy #2: Efficiency

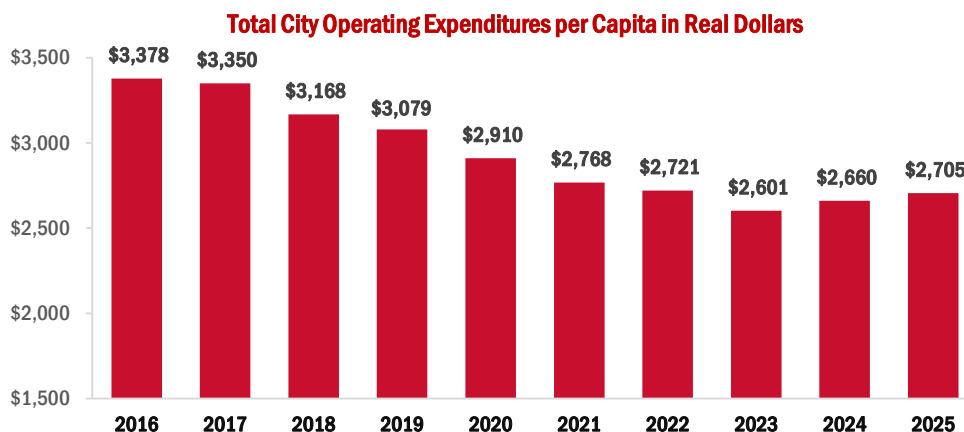
Efficiency means delivering the services Calgarians value while using resources carefully.

Key Message

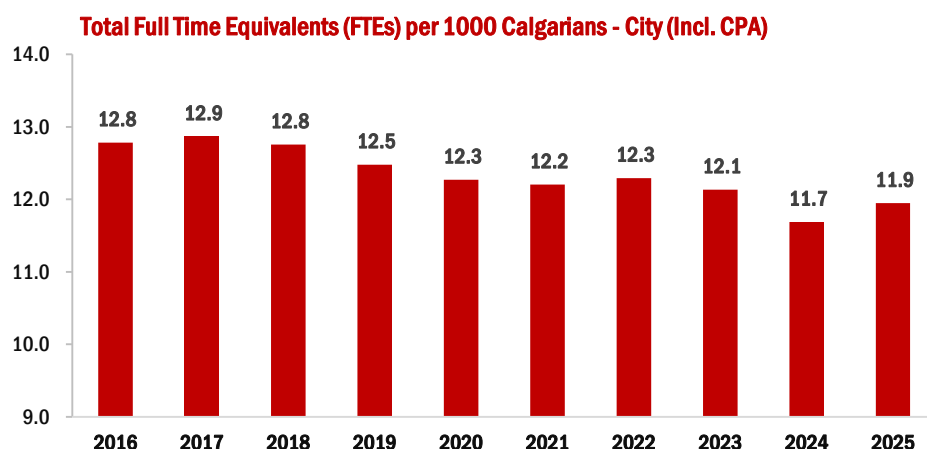
Efficiency helps manage costs, but it has limits. It cannot, on its own, solve The City's long-term funding challenges. The City should ensure efficiency improvements are real improvements, not simply service reductions in disguise. Efficiency should support long-term sustainability, not replace decisions about what services The City can afford to deliver.

Efficiency is measured by how much The City spends per person and how many staff it has relative to the size of the population based on maintaining service levels.

Spending per resident has trended downward over the last decade though it increased starting in 2024.



Staffing levels relative to population have decreased. This suggests that costs and workforce growth have not kept pace with population growth.



Tactics to Improve Efficiency

Improving efficiency means continuing to manage costs carefully, looking for better ways to deliver services, and improving how work is done. This includes redesigning services where possible, using technology to reduce pressure on staff and budgets, and focusing spending where it delivers the most value over time.

Many efficiency improvements require upfront spending, such as technology, modernized facilities and asset renewal to reduce long-term operating costs. As a result, pursuing efficiency can add to near-term capital pressures and must be considered alongside existing capital funding gaps. This reinforces the need to assess capital investments on a full lifecycle basis, recognizing both their initial cost and their long-term operating impacts.

The City is piloting a zero-based review program that will rely on external consultants to identify, and assist in implementing, efficiency and cost-saving opportunities.

Strategy #3: Sufficiency

Sufficiency means making sure available funding can maintain target service levels, support services and costs over the long term.

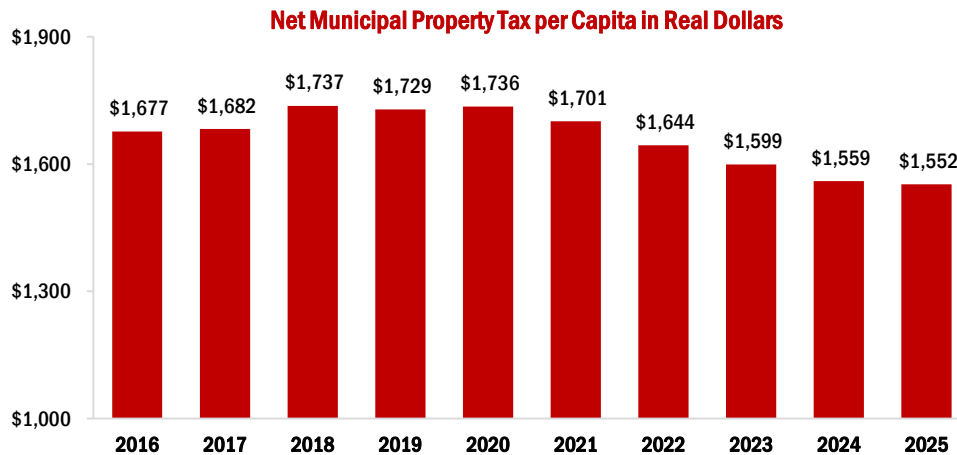
Key Message

Even with good cost control, The City is likely to require property tax and user fee increases to maintain services and even larger increases to improve services. Without changes to revenue sources, service expectations, or both, long-term funding pressure will keep growing.

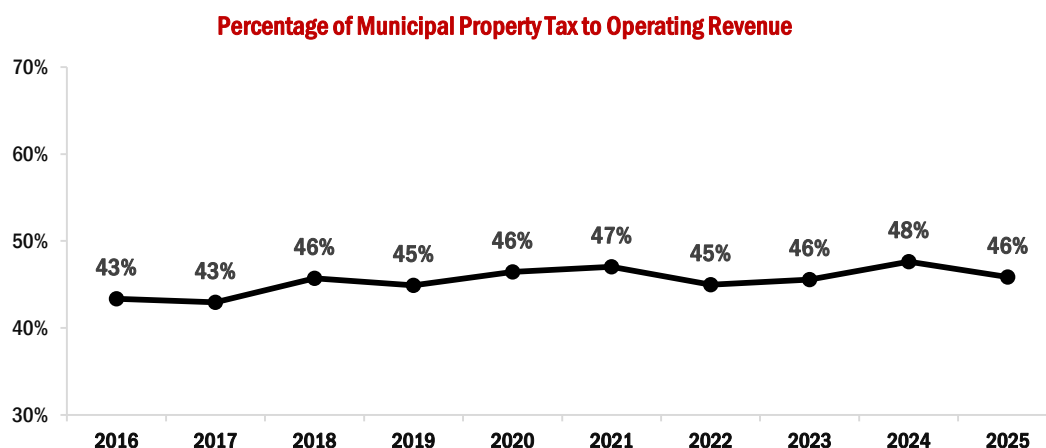
Sufficiency is measured by how much property tax residents pay on a per-person basis, and how much of The City's total operating budget relies on property tax.

Property tax per person has decreased, which helps affordability for residents but may come at the cost-of-service levels/quality.

Real dollars reference below remove inflation so amounts are shown in today's terms, making comparisons over time easier to understand.



The City has increased its reliance on property tax, meaning other revenues have not grown enough to reduce that reliance.



Tactics to Improve Sufficiency

Improving sufficiency requires matching the cost of services and infrastructure with funding sources that can grow over time. This includes finding ways to diversify revenue so that rising costs are not carried mainly by property taxes. In the current legislative context, it would be difficult for The City to rely less on the property tax, especially considering that most of what could be funded through user fees or regulatory charges, is already funded by users of the service.

In parallel, The City must continue to engage the Province on municipal fiscal sustainability. While new revenue tools cannot be assumed, continued advocacy remains an important part of improving sufficiency over the long term, alongside prudent use of existing authorities and clear alignment between service expectations and available funding.

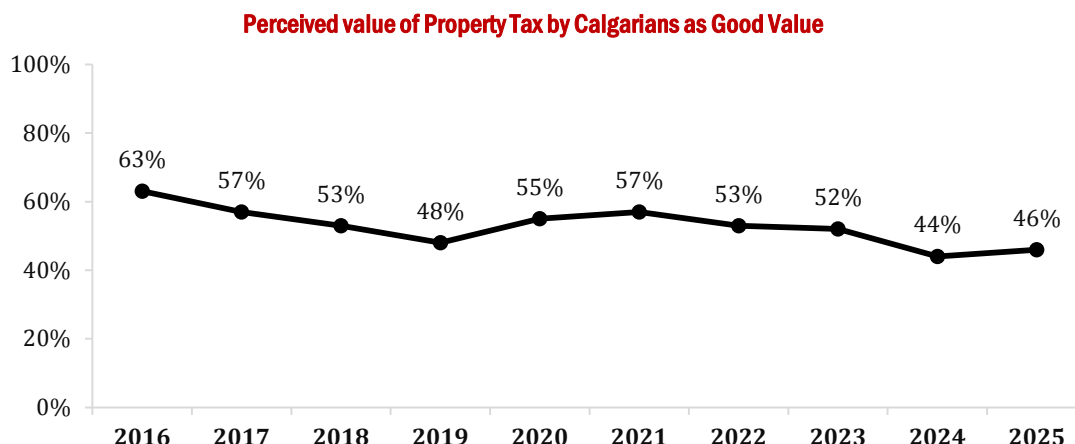
Strategy #4: Credibility

Credibility means maintaining public confidence that taxes paid provide good value.

Key Message

The City should be mindful that credibility depends on service outcomes, stability, and transparency — not just tax rates. Decisions that reduce service quality or defer problems can further weaken public confidence as much as, if not more than, an increases in tax revenue.

Credibility is measured by how many Calgarians believe their property taxes provide good value. Over time, this measure has declined and remains below the desired level. While recent results suggest a small improvement, public confidence remains low compared to past levels.



Tactics to Improve Credibility

Building credibility requires making sure funding decisions lead to visible, reliable services that matter to residents. The City needs to identify the everyday services that drive satisfaction and keep its focus on those services to ensure that Calgarians see value in the taxes they pay on a daily basis. It also requires steady decision-making that avoids sudden changes in taxes or services. Clear communication about how tax dollars are used, and what residents receive in return, is critical. When people understand decisions and see outcomes, trust improves.

Strategy #5: Integration

Integration means making operating, capital, and corporate decisions together, with long-term impacts in mind.

Key Message

Decisions made outside the regular budget process reduce The City's ability to assess trade-offs and can make long-term pressure worse. Council should focus on keeping decisions within integrated processes so operating and capital pressures are considered as a whole, not separately.

Integration is measured by whether new operating and capital investments are approved through the regular budget process.

Most new operating decisions are now reviewed as part of the formal budget cycle. Capital decisions are increasingly brought into that process, but some are still made outside it. Because these measures are new, they are still developing, but early signs are positive.

Tactics to Strengthen Integration

Strong integration requires making decisions through established planning and budget processes where tradeoffs are visible. This includes reviewing capital projects alongside their long-term operating and maintenance costs and coordinating borrowing decisions

with overall priorities. When decisions are made outside these processes, it becomes harder to see how choices interact and whether The City can afford them over time.

Risks and Uncertainties

The Long-Range Financial Plan looks ahead over many years, which means uncertainty is unavoidable. The risks outlined below could affect The City's ability to manage operating and capital pressures if conditions change or decisions are delayed. These risks do not require immediate action on their own, but they shape the range of practical responses available over time.

Growth and Infrastructure Pressures

Calgary continues to grow quickly, increasing demand for services, housing, and infrastructure. Growth creates economic opportunity, but it also requires significant upfront investment and ongoing operating funding. If infrastructure and services do not keep pace with growth, residents may experience a reduced quality of life. At the same time, outward growth increases long-term maintenance and service costs by expanding the city's footprint.

Proactive responses

- Continue refining the growth operating cost model to understand and account for the full operating and maintenance costs of growth decisions.
- Prioritize infrastructure investments that balance growth needs with long-term affordability.
- Strengthen alignment between growth decisions, capital planning and future operating capacity.

Municipal Fiscal Constraints

The City relies heavily on property tax and user fees to fund services and has limited authority over other revenue tools. Many alternative revenue options require changes to provincial legislation, and existing non-property revenues do not grow at the same pace as costs. This limits The City's ability to respond to rising pressures using revenues alone.

Proactive responses

- Make full and deliberate use of existing funding tools where authorities exist, recognizing their limits.
- Maintain a clear, evidence-based approach to advocacy with other governments, without assuming new revenues will become available.

Economic and Financial Volatility

Calgary's economy is affected by local, national, and global conditions. Economic downturns can slow revenue growth while increasing demand for services. Periods of strong growth can also increase inflation and construction costs, intensifying capital and operating pressures.

Proactive responses

- Preserve financial flexibility so The City can respond to changing conditions without abrupt service or tax impacts.
- Avoid relying on short-term economic conditions when making long-term commitments.

Climate-Related Risks

More frequent and severe weather events increase the risk of damage to infrastructure and can create unplanned operating and capital costs. Addressing these risks also requires investment in resilience measures that may not show immediate benefits but reduce long-term exposure.

Proactive responses

- Gradually integrate climate resilience considerations into asset management and capital planning.
- Avoid deferring maintenance or resilience investments that could increase future costs.
- Retain reserve and funding capacity to respond to unexpected climate-related events.

Aging Infrastructure

Much of The City's infrastructure is reaching a stage where maintenance and replacement costs are rising. Deferred maintenance can temporarily relieve budget pressure but often leads to higher costs and service disruptions later.

Proactive responses

- Use asset condition information to help prioritize capital spending.
- Ensure that maintaining existing assets receives the appropriate level of prioritization in funding decisions.
- Recognize that delaying maintenance decisions shifts costs into the future rather than avoiding them.

Regional and Intermunicipal Pressures

The City supports a broader regional population that relies on the city for employment, services, and amenities. At the same time, tax and service decisions are influenced by regional competitiveness, particularly for businesses. These dynamics affect demand for services and constrain funding choices.

Proactive responses

- Consider regional service impacts when evaluating long-term service and investment decisions.
- Use collaboration and partnerships where they can reduce duplication or improve outcomes.
- Remain mindful of regional context when setting tax and service priorities.

Conclusion

The 2026–2040 Long-Range Financial Plan highlights a clear long-term challenge: even with a strong current position, the cost of delivering City services and renewing infrastructure is projected to grow faster than available revenues. Population growth, rising input costs, and an aging asset base combine to create widening operating and capital funding gaps over time. These pressures are not the result of a single decision, and they cannot be addressed through a single lever.

The framework in this plan – flexibility, efficiency, sufficiency, credibility and integration – supports disciplined choices that balance affordability today with sustainability tomorrow. As Council considers future budgets decisions, the emphasis should be on integrated trade-offs: protecting financial capacity to manage shocks, pursuing genuine efficiency gains, aligning service levels and funding tools with long-term realities, and strengthening public confidence through stable, transparent decision-making. With risks and uncertainties inherent in a long-range outlook, the most important outcome of the LRFP is a shared commitment to use long-term information consistently, so that near-term decisions reduce—not compound—future financial pressure.